



FOR IMMEDIATE RELEASE

February 23, 2007

FACT SHEET

MAYOR CORRECTS INAPPROPRIATE EXPENDITURES IN THE ENVIRONMENTAL SERVICES DEPARTMENT (ESD)

SOLUTION WILL RETURN \$2 MILLION TO ESD'S ENTERPRISE FUNDS

BACKGROUND

At the February 6, 2007 City Council meeting, questions arose about certain ESD programs funded in the Recycling and Refuse Disposal Enterprise Funds that should have been funded, at least partially, by the General Fund. These programs were referenced in a February 14, 2006 memo from the City Attorney's Office which ESD has been addressing over the past year. Per Mayor Sanders' direction to cease all inappropriate funding, he directed ESD to immediately reallocate certain expenditures to the General Fund.

IMMEDIATE ACTIONS

The Mayor directed Jay Goldstone, Chief Financial Officer, to reallocate the improper charges going back to the beginning of FY07 in the midyear budget adjustment request to the City Council. This request is planned to be presented to the Council's Finance Committee on February 28. The \$2 million in increased FY07 expenditures from the General Fund will come from the General Fund unallocated reserves. Additionally, the Mayor's FY08 proposed budget will reflect accurate and proper funding for all programs to the appropriate funds. The following are the main programs identified as improperly funded and how they are being corrected, in the order they are addressed in the February 14, 2006 memo from the City Attorney:

- Item 1 The Environmental Library is currently funded from the Refuse Disposal Fund, but should be a shared responsibility among the General, Recycling and Refuse Disposal Funds.*

The Mayor will request in his midyear adjustment a transfer of \$24,000 from the General Fund's unallocated reserve for this program. As part of ESD's Business

Process Reengineering, the Environmental Library is closing February 28, 2007 so the expenditure will cease altogether.

- Item 2 The Bay & Beach Barrel refuse bin collection program is currently budgeted entirely in the Refuse Disposal Fund. The collection of solid waste generated by the public utilizing public facilities or property is a General Fund obligation.*

The Mayor will request in his midyear adjustment a transfer of \$120,000 from the General Fund's unallocated reserve for this program. Beginning in FY08, this program will be budgeted in the Park and Recreation Department instead of ESD's Refuse Disposal Fund.

- Item 3 The Mission Bay, Shoreline and Park and Recreation refuse bin collection programs are currently budgeted entirely in the Refuse Disposal Fund, but should be a General Fund obligation.*

The Mayor will request in his midyear adjustment a transfer of \$138,000 from the General Fund's unallocated reserve for these programs. Beginning in FY08, these programs will be budgeted in the Park and Recreation Department instead of ESD's Refuse Disposal Fund.

- Item 4 The Lead Safe Neighborhoods Program is currently budgeted entirely from the Recycling Fund but should be funded from the General Fund.*

The Mayor's midyear adjustment will request moving this program to the General Fund; however, the program is cost recoverable and does not represent an increased cost to the General Fund.

The following five items are programs from ESD's Resource Management Division that require a reallocation of funds. The Mayor will request in his midyear adjustment a transfer of \$912,000 from the General Fund's unallocated reserve for these programs. Future budgets will reflect splitting these costs equitably between all four ESD funds: the General Fund, Recycling Fund, Refuse Disposal Fund and Energy Fund.

- Item 5 Budget, revenue development and administration are being charged to only the Recycling and Refuse Disposal Funds. The General Fund should contribute its share of these programs.*

The Mayor will request in his midyear adjustment a transfer of funds from the General Fund's unallocated reserve for these programs, and future budgets will reflect an accurate split between the four funds.

- Item 6 Community outreach and environmental education are being charged to only the Recycling and Refuse Disposal Funds. The General Fund should contribute its share of these programs.*

The Mayor will request in his midyear adjustment a transfer of funds from the General Fund's unallocated reserve for these programs, and future budgets will reflect an accurate split between the four funds.

Item 7 Safety and training are being charged to only the Recycling and Refuse Disposal Funds. The General Fund should contribute its share of these programs.

The Mayor will request in his midyear adjustment a transfer of funds from the General Fund's unallocated reserve for these programs, and future budgets will reflect an accurate split between the four funds.

Item 8 Facility maintenance is being charged to only the Recycling and Refuse Disposal Funds. The General Fund should contribute its share of this program.

The Mayor will request in his midyear adjustment a transfer of funds from the General Fund's unallocated reserve for these programs, and future budgets will reflect an accurate split between the four funds.

Item 9 Organizational development and measurement services are being charged to only the Recycling and Refuse Disposal Funds. The General Fund should contribute its share of these programs.

The Mayor will request in his midyear adjustment a transfer of funds from the General Fund's unallocated reserve for these programs, and future budgets will reflect an accurate split between the four funds.

In addition to immediately resolving the funding issues for the items called out in the City Attorney's memorandum of February 14, the Mayor also directed ESD to more thoroughly review how other department programs balance their costs using multiple fund accounts. The Mayor directed ESD to investigate whether programs such as automated container management, the underground storage tank program, the City's internal hazardous waste program, and computer support were accurately allocating true costs among each of the funds being used.

Each of these programs is currently funded by the Recycling Fund, Refuse Disposal Fund and General Fund. ESD has now determined that these programs have been charging a disproportionate share of their costs to the Recycling and Refuse Disposal Funds, and that some should have an Energy Fund component. Adjustments are required to ensure a more accurate distribution of these program costs to all four of these funds.

To achieve that distribution, the Mayor will also request a transfer of \$761,000 from the General Fund's unallocated reserve for these programs during his midyear budget adjustment. Future budgets for these programs will reflect an accurate split between the four funds.